



**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR**


KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 437  
LOS ANGELES, CA 90012  
TELEPHONE: (213) 974-2101 FAX: (213) 626-1812



**MARK J. SALADINO**  
TREASURER AND TAX COLLECTOR

July 31, 2002

TO: Honorable Don Knabe  
Supervisor, Fourth District

FROM: Mark J. Saladino   
Treasurer and Tax Collector

**SUBJECT: REQUEST FOR CONDUIT FINANCING FOR CHADWICK SCHOOL**

The California Statewide Communities Development Authority (CSCDA) has requested our assistance (attached) in conducting a public hearing for a tax-exempt conduit financing for the Chadwick School. This memorandum is to notify your office of the pending hearing to ensure there are no objections to these proceedings.

The Chadwick School is a non-profit co-educational independent day school located in unincorporated County area at 26800 South Academy Drive, Palos Verdes Peninsula. The proceeds from the bonds, which will be issued by CSCDA, will be used to construct and/or acquire new school facilities, make improvements to existing facilities and purchase related furnishings and equipment.

Before bonds can be issued, Federal law requires that a public hearing be conducted by the local jurisdiction in which the facility is sited, in this case the County of Los Angeles. The hearing is scheduled to be held in the Treasurer's Office on August 19, 2002. A Board letter requesting the Board to ratify the findings of the hearing will be filed for the September 3rd Board meeting. The County's role in this process is limited and we have affirmed that there is no recourse to the County. In reviewing this request, we followed our usual conduit policies and procedures and obtained appropriate clearances from the applicable governing agency or oversight board. We are not aware of any problems with this agency that should prevent approval.

If you have any questions or require additional information, please call me or your staff may call Debbie Lindholm, my Director of Public Finance at (213) 974-8359. Similarly, if you or your staff has any issues or concerns about this proceeding, please let us know prior to the hearing date.

MJS:DL:BC

pb/bc/chadwick school clearance ltr

Attachments



## CALIFORNIA COMMUNITIES

June 27, 2002

VIA FACSIMILE (213) 625-2249 and REGULAR MAIL

Mr. Glenn Byers  
Treasurers Office  
County of Los Angeles  
500 West Temple Street, Room 434  
Los Angeles, CA 90012

Re: Public Hearing for Chadwick School

Dear Glenn:

As we discussed, Chadwick School (the "Applicant") has submitted to the California Statewide Communities Development Authority (the "Authority") an application (the "Application") for the financing of certain educational facilities (the "Project") in an amount not to exceed \$8,000,000 of tax-exempt obligations. The Project is located in an unincorporated area of the County of Los Angeles at 26800 South Academy Drive in Palos Verdes Peninsula. The purpose of this letter is to request the assistance of the County of Los Angeles in conducting a public hearing with respect to the proposed financing.

As you are aware, the Authority is a joint exercise of powers authority consisting of numerous California cities, counties and special districts, including the County of Los Angeles. The Authority pursuant to its Amended and Restated Joint Exercise of Powers Agreement is authorized to assist in the financing of facilities for non-profit public benefit organizations, including the Applicant. In order to initiate such a financing, the member participant of the Authority in which the proposed facilities will be located must (i) conduct a public hearing and (ii) approve the Authority's issuance of indebtedness. Therefore, although the Authority will be the issuer of the tax-exempt obligations for the Applicant, the financing cannot proceed without the approval of the County of Los Angeles.

I have attached for your review the Application filed by the Applicant with the Authority. You will be receiving shortly a letter from Bill Bothwell of Orrick, Herrington & Sutcliffe, serving as bond counsel, describing the public hearing process and the requirements under state and federal laws, including the Tax and Equity Fiscal Responsibility Act (TEFRA). This letter will also include for your review the form of Notice of Public Hearing and the form of Board of Supervisors Resolution evidencing the County's approval of the financing. Bond Counsel, at your option, can coordinate for you the publication of the Notice and the adoption of the Resolution.

June 27, 2002

I want to thank you for your assistance in this matter. Please let me know if you require any additional information concerning the scheduling of such public hearing or if I can be of any other assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael LaPierre". The signature is fluid and cursive, with the first name "Michael" written in a larger, more prominent script than the last name "LaPierre".

Michael LaPierre

Enclosures

cc: Bill Bothwell, Orrick, Herrington & Sutcliffe (213-612-2499)



## Large Non-Profit Application

### APPLICANT INFORMATION

Borrower Name:	<u>Roessler-Chadwick Foundation d.b.a. Chadwick School</u>		
Primary Contact:	<u>James S. Hartman</u>		
Title:	<u>Finance Officer</u>		
Street Address:	<u>26800 S. Academy Drive</u>		
City:	<u>Palos Verdes Peninsula</u>	State: <u>CA</u>	Zip Code: <u>90274</u>
Telephone:	<u>310-377-1543</u>	Fax Number:	<u>310-377-0380</u>
E-Mail:	<u>jim.hartman@chadwick-kl2.com</u>		
Type of Entity:	<input type="checkbox"/> Municipality <input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> For-profit Corporation		
	<input type="checkbox"/> Partnership <input type="checkbox"/> Other (specify): _____		
Date Organized:	<u>1935</u>		

### PROJECT AND FINANCING INFORMATION

Health Care:	<input type="checkbox"/> Continuing Care	<input type="checkbox"/> Clinic	<input type="checkbox"/> Hospital	<input type="checkbox"/> Assisted Living
	<input type="checkbox"/> Skilled Nursing	<input type="checkbox"/> Other (specify): _____		
Municipal:	<input type="checkbox"/> City	<input type="checkbox"/> County	<input type="checkbox"/> Special District	
Other:	<input checked="" type="checkbox"/> Education	<input type="checkbox"/> Museum/Cultural	<input type="checkbox"/> Other (specify): _____	
Principal Amount:	<u>\$7,000,000</u>	Tax-exempt	<u>\$ 7,000,000</u>	Taxable <u>\$</u>
Closing Date:	<u>August 8, 2002</u>			
Maturity:	<u>30</u> Years	Interest Rate Mode:	<input type="checkbox"/> Fixed	<input checked="" type="checkbox"/> Variable
Type of Offering:	<input checked="" type="checkbox"/> Public Offering <input type="checkbox"/> Private Placement			
	Denominations: <u>\$100,000</u>			
Type of Financing:	<input type="checkbox"/> Acquisition of Existing Facility <input type="checkbox"/> Refunding <input checked="" type="checkbox"/> New Construction			
Credit Enhancement:	<input type="checkbox"/> None <input checked="" type="checkbox"/> Letter of Credit			
	<input type="checkbox"/> Bond Insurance <input type="checkbox"/> Other (specify): _____			

Name of Credit Enhancement Provider or Private Placement Purchaser (if any):

☒ Credit Enhancement Provider:

TBD

☐ Purchaser:

Expected Rating:

☐ S&P

☒ Moody's

Aa3/VMIG1

☐ Fitch

☐ Unrated

### PRINCIPAL FINANCE TEAM INFORMATION

#### Underwriter/Placement Agent

Contact: Jim Roth

Firm: Salomon Smith Barney

Telephone: 415-955-1641

Fax: 415-955-1566

Email: jim.roth@ssmb.com

#### Bond Counsel

Contact: Kevin Hale

Firm: Orrick, Herrington & Sutcliffe

Telephone: 213-612-2356

Fax: 213-612-2499

Email: khale@orrick.com

### ADDITIONAL INFORMATION

Please provide the following additional information:

#### Attachment

#### Description of Information

- |   |  |
|---|--|
| A | Detailed applicant history.  |
| B | Description of project or each facility to be financed or refinanced.  |
| C | Comprehensive summary of project public benefits.  |
| D | Address of each facility to be financed or refinanced.   |
| E | Evidence of credit enhancement or intent to purchase bonds.  |
| F | List of outstanding tax-exempt debt.   |
| G | Financial statements for last complete fiscal year.  |
| H | Project Costs (Sources and Uses of Proceeds).  |
| I | Interested Parties List.   |
| J | \$5,000 non-refundable * application fee payable to CSAC Finance Corporation. This fee will be credited to your issuance costs at closing. |

\*Refundable if financing not approved.

#### MAILING ADDRESS

2175 N. California Blvd.

Suite 550

Walnut Creek, CA 94596-3579

# **CHADWICK SCHOOL**

## **ADDITIONAL INFORMATION**

### **1. DETAILED APPLICANT HISTORY**

A comprehensive history of Chadwick School founded in 1935 is contained on the following pages.

### **2. DESCRIPTION OF PROJECT TO BE FINANCED**

The proposed project includes the construction and equipping of (a.) a new middle school building housing classrooms, faculty offices and studios for art and ceramics, (b.) interim and shortfall funding for the construction and equipping of a new performing arts center, (c.) funding for a parking garage, (d.) funding for renovating and expanding our outdoor school amphitheater, (e.) funding for the air-conditioning of Roessler Hall, (f.) funding to support alternate means or route of access to and from the campus and (g.) funding to support classroom expansion and expanded use of the campus perimeter areas. Project funds will include the monies to pay related expenses incurred in connection with the issuance of the revenue obligations.

### **3. COMPREHENSIVE SUMMARY OF PROJECT PUBLIC BENEFITS**

Chadwick School is a private K-12 school with a projected 2002-2003 enrollment of 750 students. The proposed projects will enhance our academic programs and facilities, thereby bene-

fitting students and families enrolled at the school and will relieve the public sector of this program responsibility and expense. The projects will allow us to accommodate additional student enrollments beyond 750; in addition, those projects providing for new construction and for new energy systems will provide for more efficient energy use.

**4. ADDRESS OF EACH FACILITY TO BE FINANCED**

All projects are located on the Chadwick School campus located at 26800 South Academy Drive, Palos Verdes Peninsula, CA, 90274.

**5. EVIDENCE OF CREDIT ENHANCEMENT OR INTENT TO PURCHASE BONDS**

Chadwick School has secured the services of Salomon Smith Barney to serve as underwriter for the proposed bond; their representatives are in the process of securing a letter of credit to support the bond process. It is the school's intention to secure a seven million dollar bond.

**6. LIST OF OUTSTANDING TAX-EXEMPT DEBT**

Chadwick School has no outstanding tax-exempt debt.

**7. FINANCIAL STATEMENTS FOR LAST COMPLETE FINANCIAL YEAR**

The financial statements for 2000-2001 are contained on the following pages.

**8. PROJECT COSTS (SOURCES AND USES OF PROCEEDS)**

The Middle School building is projected to cost 4 million dollars to be financed entirely from bond proceeds. Up to two million dollars is scheduled to be assigned from bond proceeds to the Lavery Performing Arts Center to cover shortfall and interim financing on a seven million dollar building funded primarily with donated monies. The remaining one million dollars will be assigned on an as needed basis to the other projects referenced in the bond project description and will be used to pay related expenses incurred in connection with the issuance of the revenue

obligations.

## 9. INTERESTED PARTIES LIST

---

### CHADWICK SCHOOL

#### Business Office

26800 South Academy Drive

Palos Verdes Peninsula, CA 90274-3997

Fax: (310) 377-0380

Frederick T. Hill, *Head master*

Phone: (310) 377-1543

James S. Hartman, *Business Manager*

Jim.Hartman@chadwick-k12.com

Phone: (310) 377-1543

Jacquie Tuxford, *Controller*

Phone: (310) 377-1543

### SCHOOL COUNSEL

Sonnenschein Nath & Rosenthal

601 S. Figueroa Street, Suite 1500

Los Angeles, CA 90017

Fax: (213) 623-9924

Robert L. Schuchard Esq.

rschuchard@sonnenschein.com

Phone: (213) 892-5075

Sonnenschein Nath & Rosenthal

One Metropolitan Square, Suite 3000

St. Louis, MO 63102

Fax: (314) 259-5959

Thomas K. Vandiver Esq.

tkv@sonnenschein.com

Phone: (314) 241-5829

### BOND COUNSEL

Orrick, Herrington & Sutcliffe

777 S. Figueroa Street, Suite 3200

Los Angeles, CA 90017

Fax: (213) 612-2499

Bill Bothwell, Esq.

Bbothwell@orrick.com

Phone: (213) 612-2403

Kevin Hale, Esq.

Khale@orrick.com

Phone: (213) 612-2356

### UNDERWRITER



**Salomon Smith Barney**  
350 California Street, 21<sup>st</sup> Floor  
San Francisco CA, 94104

**Fax:** (415) 955-1555

**Jim Roth, Vice President**  
[jim.roth@ssmb.com](mailto:jim.roth@ssmb.com)

**Phone:** (415) 955-1641

**Salomon Smith Barney**  
333 S. Grand, 51<sup>st</sup> Floor  
Los Angeles CA, 90071

**Fax:** (213) 486-8918

**Joe Crowley, Assistant Vice President**  
[joseph.j.crowley@ssmb.com](mailto:joseph.j.crowley@ssmb.com)

**Phone:** (213) 486-8925

**UNDERWRITERS' COUNSEL**

**Nossaman, Guthner, Knox & Elliott, LLP**  
18101 Von Karman Ave.  
Irvine CA, 92623

**Fax:** (949) 833-7878

**Jeff Stava, Esq.**  
[Jstava@nossaman.com](mailto:Jstava@nossaman.com)

**Phone:** (949) 477-7632

**LETTER OF CREDIT BANK**

**[TO COME]**

**BANK COUNSEL**

**[TO COME]**

**ISSUER**

**[TO COME]**

**ISSUER COUNSEL**

**[TO COME]**

**TRUSTEE**

**[TO COME]**

**TRUSTEE COUNSEL**

**[TO COME]**

**RATING AGENCY**

**[TO COME]**

**PRINTER**

**[TO COME]**

**10. \$5,000 NON-REFUNDABLE APPLICATION FEE TO CSAC FINANCE CORPORATION.**

The application fee will be forwarded when the draft application is confirmed.

## **Chadwick School History**

**adapted from an article written by Bob Roessler '40, in Chadwick Magazine, 1997.**

Chadwick School, the only K-12 co-educational independent day school in the South Bay area of Los Angeles, sits atop a hill on the Palos Verdes Peninsula. Its fifty-five acre campus is covered with trees and spacious lawns, a setting conducive to serious study, vigorous play, and idle chatter among friends. A staff of 130 adults teaches, handles clerical matters, tends to the buildings and grounds, and does whatever else is necessary to create an exciting teaching and learning community for the 725 students in kindergarten through twelfth grade. It is divided into three sections; the Village (kindergarten through grade six), the Middle School (grades seven and eight), and the Upper School (grades nine through twelve). The first 10 seniors from Chadwick School graduated in 1940 and the seventy-five members of the Class of 1997 brought the alumni ranks to 2948.

During academic year 1997-98, the school will celebrate its sixty-second birthday--thanks to the dream of the founders and the faculty and staff who have provided vision for six decades of students.

So, how did it all begin? At a social gathering in 1933 in San Pedro, California, Edna Roessler met Margaret Chadwick, and they quickly found common ground because of their interest in home schooling. Mrs. Chadwick and Mrs. Roessler began what was called the Chadwick Open Air School in the Chadwick home on Le Grand Terrace in San Pedro.

More and more people heard about the quality education being provided and wanted to enroll their children in the little home school. They included Frank and Gladys Quinlin, with one daughter, Jeanne, and Dr. A. W. and Edna Warnock with one daughter, Frances, and two sons, Robert and Gordon. Because of the increased size, it was necessary to move to larger quarters: 13th and Meyler Streets in San Pedro.

In December, 1936, Mr. Frank Vanderlip, Sr. attended the school's Christmas pageant and was so impressed that he offered land to the Chadwicks to build a school. Mr. Vanderlip, a financier, owned most of Palos Verdes Peninsula at that time and had started building a large development in 1923; he had to cut back his development after the 1929 stock market crash. Mrs. Roessler and Mrs. Chadwick, who had become good friends, searched the Peninsula for the "perfect spot." The present location was donated by Mr. Vanderlip. The Roessler family and Lillie Brogan, H. F. B. Roessler's sister, offered to build the first buildings. The site, 33 acres, was ideal for a co-ed boarding and day school with canyons on three sides and easy driving access. (Later, the county would build Crenshaw Blvd.)

In January, 1938, Chadwick School, Rolling Hills, California, became a reality and was incorporated as Chadwick Seaside School. It opened its facilities with five boarding students, 23 day pupils and six staff members, most of whom were parents of day students. Mrs. Quinlin was hired temporarily in 1938 to develop and teach science; she retired 28 years later.

Mrs. Chadwick's father was a Presbyterian minister, and her educational philosophy was a reflection of her gentle, highly motivated, religious background. She believed that education could not be hurried. Children need time to develop--some more than others. The school offered boarding facilities and a basic "3-R" curriculum. The message on the horn books at the entrance became the motto of the school. In the beginning, the school offered grades one through ten. After the school moved to the Palos Verdes Peninsula, the enrollment increased to 100 in the first year and June 1940 saw the

first graduating class: six young men and five young women. Within a year, Chadwick became an accredited private secondary school in California.

During these early years of the school, the number of boarding students approximately equaled the number of day students.

All students had assignments: kitchen duty, cleaning the dormitory, cleaning the school buildings, tending the chickens, rabbits and the hogs. But not all was work. The Vanderlips leased Abalone Cove to Mrs. Anita Oser, mother of two Chadwick students, for the exclusive use of Chadwick School.

The middle 1940s saw the construction of two tennis courts (now the baseball diamond) and stables (now the Village School). Chadwick acquired the land now known as Academy Hill at a tax sale. Peter Oser deeded two Spanish-style homes on Via Horquilla Street in Palos Verdes Estates, along with the surrounding land, to the Chadwicks. After having been recalled by the U.S. Navy to teach at U.C.L.A. during World War II, Commander Chadwick retired and returned to administer Chadwick's Business Office. Later, he and Mrs. Chadwick moved into one of the houses on Via Horquilla.

The 1950s saw many improvements. The Olympic size swimming pool on the lower land was completed ground was broken for the Vanderlip Auditorium, and enrollment rose to 119 students in 1951. The first graduation in the Oser Amphitheater took place, building began on the small dormitory for boys, the dining room annex and a new girls dorm were built, and Chadwick School comprised 170 acres. The Chadwicks sold 35 acres of the Palos Verdes Estates property near the Oser house on Via Horquilla, hoping to use the funds for the new senior high school on the lower property.

The 1960s saw even more changes. A large brush fire caused \$50,000 damage to the campus. Chadwick began the tradition of walking through the gates at commencement. Sixty-one students graduated in 1962. Ground was broken for the new Headmaster's house and the faculty housing facilities were expanded. A new Village School was built next to the athletic field, replacing the old Quonset huts used as classrooms.

A new corporation, the non-profit Roessler-Chadwick Foundation, was established in 1963. The first Board of Trustees consisted of seven members. In 1966, Commander and Mrs. Chadwick retired, followed by the Quinlins, Virginia Daniels and Virginia Chadwick. H. F. B. Roessler died in 1965. The Board of Trustees reluctantly voted to sell 75 acres of the Academy Hill land to pay debts incurred in 1964-1968. The money left over was used to establish an endowment fund. The Bubble was built as a "temporary" gymnasium.

Following the Chadwicks' retirement, the school entered a period of probably best described as "growing pains." In the 1970s, Chadwick started on the road to financial recovery. Commander Chadwick died in August, 1970, and Don Leavenworth became Headmaster in 1971. The boy's dormitory, Wallace House, was extensively remodeled and became what is now the Middle School. The Administration Building was renovated and improved. A new Olympic-size swimming pool was built on the upper level by subscription and the Outdoor Program began.

The 1980s saw many developments. In a four-year period, Chadwick lost three pioneers: Mrs. Chadwick died in April, 1984, Mrs. Quinlin in 1986 and Mrs. Roessler in 1987. A science building complete with auditorium was built with funds from Seeley Mudd and the Leavenworth Library Learning Center was completed. Chadwick took over the kindergarten from Town and Country School, which had leased land from Chadwick and built a well-respected nursery school and kindergarten. A second bubble was

constructed to replace the original and was called Pascoe Pavilion after William T. Pascoe, father of three Chadwick alumni. Enrollment at Chadwick went from 590 students to 725, which is the current maximum number allowed by the conditional use permit granted by Los Angeles County. The Pascoe Fellowships for Faculty were established, a new Development Department was formed, and a Master Plan was prepared. The Outdoor Program continued to expand. Chadwick's award-winning Community Service Program was established.

Headmaster Don Leavenworth retired in 1988 and Jeff Moredock was hired as Headmaster. Faculty apartments were built at the site of the former Town and Country School. In 1992, the Bubble was officially "burst" and the new gymnasium, Pascoe Pavilion, a state-of-the-art athletic facility, was dedicated. Chadwick School continued to maintain standards of high academic excellence and was accredited in 1992 for six more years by the Western Association of Schools and Colleges.

In 1993, Nathan O. Reynolds was appointed Interim Headmaster; he retired in 1996. Middle School Director John Fiske served one year as Interim Headmaster until Frederick T. "Ted" Hill was appointed Headmaster on July 1, 1998. During the past decade, under the auspices of a five-year \$6 million capital campaign, the Village School Science Lab was built and dedicated in 1994. In the fall of 1995, the new Gladys Quinlin Science Lab was dedicated and opened for classes in the Middle School. In 1996, the former Quinlin Science Lab was refurbished and dedicated as the Frank Quinlin Publications Lab, and the Donald Leavenworth Library, built in 1986, was expanded in 1998. Donald Leavenworth, who was Chadwick's headmaster for 17 years, died in 2000. The school is currently in the midst of a \$6 million capital campaign for a new performing arts center.

Chadwick School maintains an extensive archive of school history. If you would like more information, call (310) 541-6763, ext 4072.



**ROESSLER-CHADWICK FOUNDATION  
(CHADWICK SCHOOL)  
Financial Statements  
June 30, 2001 and 2000**

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

## CONTENTS

Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities .....	3-4
Statements of Cash Flows .....	5
Notes to the Financial Statements .....	6-14





**WINDES & MCCLAUGHRY**  
**ACCOUNTANCY CORPORATION**

*Certified Public Accountants  
& Consultants*

*Established 1926*

Landmark Square  
111 West Ocean Boulevard  
Twenty-Second Floor  
Long Beach, CA 90802

Tel: (562) 435-1191

Fax: (562) 495-1665

[www.windes.com](http://www.windes.com)

## INDEPENDENT AUDITORS' REPORT



To The Board of Trustees of  
Roessler - Chadwick Foundation (Chadwick School)

We have audited the accompanying statements of financial position of Roessler - Chadwick Foundation (Chadwick School) (a non-profit organization) as of June 30, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roessler - Chadwick Foundation (Chadwick School), as of June 30, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Windes & McClaughry*

Long Beach, California  
August 1, 2001

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<u>June 30,</u>	
	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$12,186,773	\$ 8,933,818
Investments	12,637,235	15,582,025
Receivables		
Tuition, net of allowance of		
\$164,000-2001; \$151,000-2000	3,127,702	5,223,379
Student loans	15,298	15,951
Pledges receivable, net of		
allowance of \$20,500	1,961,587	1,259,514
Other	168,703	104,919
Inventories	37,606	46,650
Other current assets	957,234	867,139
Land, buildings and equipment, net	<u>12,439,418</u>	<u>11,315,865</u>
<b>TOTAL ASSETS</b>	<u><b>\$43,531,556</b></u>	<u><b>\$43,349,260</b></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 84,764	\$ 79,515
Accrued expenses	794,218	724,270
Other liabilities	37,224	34,919
Deferred tuition revenue	<u>10,469,447</u>	<u>10,041,964</u>
<b>Total Liabilities</b>	<u><b>11,385,653</b></u>	<u><b>10,880,668</b></u>

**COMMITMENTS AND CONTINGENCIES (Note 8)**

<b>NET ASSETS</b>		
Unrestricted net assets		
Available for current operations	382,560	1,658,224
Quasi Endowment	8,440,287	10,787,794
Plant	<u>15,441,202</u>	<u>13,803,629</u>
<b>Total Unrestricted Net Assets</b>	<u><b>24,264,049</b></u>	<u><b>26,249,647</b></u>
Temporarily restricted net assets		
Unexpended restricted fund	<u>7,781,854</u>	<u>6,218,945</u>
Permanently restricted net assets		
Restricted scholarship fund	<u>100,000</u>	
<b>Total Net Assets</b>	<u><b>32,145,903</b></u>	<u><b>32,468,592</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$43,531,556</b></u>	<u><b>\$43,349,260</b></u>

The accompanying notes are an integral part of these statements.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Tuition and fees	\$ 9,727,800			\$ 9,727,800
Summer and other programs	922,066			922,066
Contributions and bequests	1,009,174	\$2,442,375	\$ 100,000	3,551,549
Interest and dividend income	790,416	260,062		1,050,478
Other income	294,518			294,518
Net assets released from restrictions	430,276	( 430,276)		
Total Support and Revenue	<u>13,174,250</u>	<u>2,272,161</u>	<u>100,000</u>	<u>15,546,411</u>
<b>EXPENDITURES</b>				
Instructional	5,390,090			5,390,090
Student support	1,189,298			1,189,298
Student aid	902,273			902,273
Summer and other programs	631,163			631,163
Fund-raising	511,442			511,442
Plant operation and maintenance	2,053,883			2,053,883
General and administrative	2,348,484			2,348,484
Total Expenditures	<u>13,026,633</u>			<u>13,026,633</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>147,617</u>	<u>2,272,161</u>	<u>100,000</u>	<u>2,519,778</u>
<b>NONOPERATING</b>				
Net gains and depreciation of investment assets	( 2,124,643)	( 709,252)		( 2,833,895)
Loss on disposal of equipment	( 8,572)			( 8,572)
	<u>( 2,133,215)</u>	<u>( 709,252)</u>		<u>( 2,842,467)</u>
<b>CHANGE IN NET ASSETS</b>	<u>( 1,985,598)</u>	<u>1,562,909</u>	<u>100,000</u>	<u>( 322,689)</u>
<b>BEGINNING NET ASSETS</b>	<u>26,249,647</u>	<u>6,218,945</u>		<u>32,468,592</u>
<b>ENDING NET ASSETS</b>	<u>\$24,264,049</u>	<u>\$7,781,854</u>	<u>\$ 100,000</u>	<u>\$32,145,903</u>

The accompanying notes are an integral part of these statements.

ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2000

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Tuition and fees	\$ 9,333,698		\$ 9,333,698
Summer and other programs	997,474		997,474
Contributions and bequests	1,076,477	\$ 1,386,913	2,463,390
Interest and dividend income	575,598	159,088	734,686
Other income	335,299		335,299
Net assets released from restrictions			
Total Support and Revenue	<u>321,614</u>	<u>( 321,614)</u>	
	<u>12,640,160</u>	<u>1,224,387</u>	<u>13,864,547</u>
<b>EXPENDITURES</b>			
Instructional	5,130,698		5,130,698
Student support	1,084,651		1,084,651
Student aid	783,959		783,959
Summer and other programs	735,214		735,214
Fund-raising	477,480		477,480
Plant operation and maintenance	1,839,244		1,839,244
General and administrative	2,117,324		2,117,324
Total Expenditures	<u>12,168,570</u>		<u>12,168,570</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>471,590</u>	<u>1,224,387</u>	<u>1,695,977</u>
<b>NONOPERATING</b>			
Net gains and appreciation of investment assets	1,125,109	339,890	1,464,999
Gain on disposal of equipment	5,929		5,929
	<u>1,131,038</u>	<u>339,890</u>	<u>1,470,928</u>
<b>CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM</b>	1,602,628	1,564,277	3,166,905
<b>EXTRAORDINARY ITEM (NOTE 9)</b>	<u>887,259</u>		<u>887,259</u>
<b>CHANGE IN NET ASSETS</b>	2,489,887	1,564,277	4,054,164
<b>BEGINNING NET ASSETS</b>	<u>23,759,760</u>	<u>4,654,668</u>	<u>28,414,428</u>
<b>ENDING NET ASSETS</b>	<u>\$ 26,249,647</u>	<u>\$ 6,218,945</u>	<u>\$32,468,592</u>

The accompanying notes are an integral part of these statements.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**STATEMENTS OF CASH FLOWS**

	For the Year Ended June 30,	
	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$ 322,689)	\$ 4,054,164
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	691,287	624,586
(Gain) loss on disposal of property and equipment	8,572	( 5,929)
Realized gain on sale of investments	( 907,798)	( 923,211)
(Appreciation) depreciation in investments	3,741,693	( 541,788)
Write-off of receivables	33,484	11,250
(Increase) decrease in:		
Tuition receivable	2,095,677	( 988,640)
Pledges receivable	( 737,032)	( 1,074,406)
Other receivables	( 63,784)	30,911
Inventories	9,044	23,113
Other current assets	( 90,095)	( 66,036)
Increase (decrease) in:		
Accounts payable	5,248	( 117,761)
Accrued expenses	69,948	( 66,309)
Other liabilities	2,305	( 30,554)
Deferred tuition revenue	427,483	459,700
Net Cash Provided By Operating Activities	<u>4,963,343</u>	<u>1,389,090</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	( 10,674,289)	( 5,979,812)
Proceeds from sale of investments	10,785,184	5,339,543
Purchase of equipment and improvements	( 1,827,611)	( 769,363)
Proceeds from sale of equipment	4,200	6,350
Proceeds from student loans	2,128	2,868
Net Cash Used In Investing Activities	<u>( 1,710,388)</u>	<u>( 1,400,414)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,252,955	( 11,324)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>8,933,818</u>	<u>8,945,142</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$12,186,773</u>	<u>\$ 8,933,818</u>

The accompanying notes are an integral part of these statements.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 1 - Summary of Significant Accounting Policies**

***Organization***

The Roessler - Chadwick Foundation (Chadwick School), hereafter referred to as "School," is a nonprofit, tax-exempt California corporation, organized to provide private education to children from grades kindergarten through twelve. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

***Financial Statement Presentation***

The School reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence and/or nature of donor-imposed restrictions.

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Upon expiration of the restriction, the contributions are reclassified to unrestricted net assets.

The School records the value of contributed services that would otherwise be purchased or paid for in the normal course of business.

***Recognition of Donor Restrictions***

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For the purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Realized gains and losses are computed as the difference between historical cost and sales proceeds. Unrealized gains and losses are the change in the spread between historical cost and fair value during the year.

***Receivables***

Receivables are stated at their net realizable amounts. An allowance for doubtful accounts is provided against uncollectible accounts, which have been specifically identified.

***Inventories***

Inventories are stated at the lower of cost (primarily first-in, first-out) or market.

***Reclassification***

Certain amounts in the June 30, 2000 financial statements have been reclassified to conform to the current year's financial statement presentation.

ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

*Income Taxes*

The School is tax-exempt for federal and state income tax purposes under Internal Revenue Code Section 501(c)(3) and the related state provision. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation."

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs based upon the relative benefit received.

**NOTE 2 - Investments**

Investments are carried at market value, while realized and unrealized gains and losses are reflected in the statements of activities. The School invests cash in excess of daily requirements in short-term investments classified as cash and cash equivalents.

The following schedule summarizes investments:

	June 30, 2001		June 30, 2000	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Corporate stocks and bonds	\$12,155,823	\$12,632,885	\$11,235,620	\$15,457,636
Real estate	<u>105</u>	<u>4,350</u>	<u>123,405</u>	<u>124,389</u>
	<u>\$12,155,928</u>	<u>\$12,637,235</u>	<u>\$ 11,359,025</u>	<u>\$15,582,025</u>



**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 2 - Investments (Continued)**

The following tabulation summarizes the participation in the pools and ownership of investments:

	<u>June 30, 2001</u>		
	<u>Corporate Stocks and Bonds</u>	<u>Real Estate</u>	<u>Total</u>
Temporarily restricted net assets	\$ 3,158,221		\$ 3,158,221
Unrestricted net assets	<u>9,474,664</u>	<u>\$ 4,350</u>	<u>9,479,014</u>
	<u>\$12,632,885</u>	<u>\$ 4,350</u>	<u>\$12,637,235</u>

	<u>June 30, 2000</u>		
	<u>Corporate Stocks and Bonds</u>	<u>Real Estate</u>	<u>Total</u>
Temporarily restricted net assets	\$ 3,990,697		\$ 3,990,697
Unrestricted net assets	<u>11,466,939</u>	<u>\$124,389</u>	<u>11,591,328</u>
	<u>\$15,457,636</u>	<u>\$124,389</u>	<u>\$15,582,025</u>

Fees attributed to the management of the investment accounts for the years ended June 30, 2001 and 2000 were \$94,819 and \$95,576, respectively.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 3 - Inventories**

Inventories consist of the following:

	<u>June 30,</u>	
	<u>2001</u>	<u>2000</u>
Textbooks	\$ 3,972	\$ 3,758
Chairs	2,521	2,521
Crest	953	953
Lunchroom supplies	4,482	4,843
Store supplies	<u>25,678</u>	<u>34,575</u>
	<u>\$37,606</u>	<u>\$46,650</u>

**NOTE 4 - Land, Buildings and Equipment**

The major classes of land, buildings and equipment are as follows:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2001</u>	<u>2000</u>	<u>Useful Lives</u>
Building and improvements	\$11,831,801	\$ 10,978,695	40 years
Furniture and equipment	3,763,130	2,797,202	7-10 years
Vehicles	223,797	231,480	3-5 years
Roads/landscaping	<u>186,065</u>	<u>186,065</u>	20 years
	16,004,793	14,193,442	
Less: accumulated depreciation	<u>6,224,442</u>	<u>5,619,850</u>	
	9,780,351	8,573,592	
Land	2,266,053	2,266,053	
Construction in progress	<u>393,014</u>	<u>476,220</u>	
	<u>\$12,439,418</u>	<u>\$11,315,865</u>	

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 5 - Net Assets**

Temporarily restricted net assets were restricted by donors as follows:

	<u>June 30,</u>	
	<u>2001</u>	<u>2000</u>
Professional growth for faculty and staff	\$ 1,565,190	\$ 1,982,296
Capital improvements and maintenance	5,406,116	3,325,015
Scholarship assistance	<u>810,548</u>	<u>911,634</u>
	<u>\$ 7,781,854</u>	<u>\$ 6,218,945</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for scholarships.

**NOTE 6 - Pension Plan**

The School has a defined contribution plan covering substantially all employees through the Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA/CREF).

Eligible employees may begin participation after one year of continuous employment, or if the employee has an existing account with TIAA/CREF, they may begin participation on the first day of the month following employment at the School.

Contributions to the retirement plan are based upon various percentages of gross pay, ranging from five to ten percent, plus the employee's contribution of five percent. The School's contribution totalled \$426,705 and \$400,222 for the years ended June 30, 2001 and 2000, respectively.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 7 - Related Party Transactions**

*Notes Receivable and Notes Payable*

During the fiscal year ended July 31, 1993, the quasi endowment fund advanced funds to the plant fund to build a new gymnasium. This loan was to be repaid from capital campaign funds raised through 1998. The note included bears interest at 5.82 percent per annum and is due quarterly. The balance due on the note is as follows:

Receivable (Payable) Balance due on Gym loan	Net Assets		
	Plant	Quasi Endowment	Total
June 30, 2001	(\$ 477,226)	\$ 477,226	None
June 30, 2000	(\$ 495,467)	\$ 495,467	None

Interest during the years ended June 30, 2001 and 2000 amounted to \$28,257 and \$29,390, respectively.

In fiscal year 2000, a note receivable and note payable between the endowment fund and plant fund for faculty apartment buildings was canceled and contributed to the plant fund.

**NOTE 8 - Commitments and Contingencies**

*Operating Leases*

The School leases certain office machines under operating lease agreements expiring at various dates through 2006. The lease expense associated with all operating leases for the years ended June 30, 2001 and 2000 amounted to \$67,089 and \$36,281, respectively.

ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000

NOTE 8 - Commitments and Contingencies (Continued)

*Operating Leases (Continued)*

The following is a schedule by years of future minimum rental payments required under the noncancellable operating leases:

<u>Year Ending</u> <u>June 30,</u>	
2002	\$ 63,143
2003	55,289
2004	52,401
2005	47,503
2006	<u>32,162</u>
	<u>\$ 250,498</u>

*Litigation*

The School is subject to various lawsuits and claims with respect to such matters as employment matters and other actions arising out of the normal course of business. While the effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists, in the opinion of the School's counsel, the ultimate liabilities resulting from such lawsuits and claims will not materially affect the financial condition or results of operation.

*Conditional Use Permit*

The School's existing conditional use permit expired on December 31, 1999. Management informed us that the School applied for a new conditional use permit and was granted approval by the Regional Planning Commission of the County of Los Angeles on June 11, 2001. The application included a request from the School that they have the option to increase the enrollment from 725 to 985. This aspect of the application required an approved traffic mitigation plan that was reviewed by the Public Works staff.

An appeal has been filed by the local neighborhood on various matters with regards to the newly approved conditional use permit. However, the School has been advised by legal counsel and county staff that the School can continue to operate under the prior permit conditions. On September 25, 2001, the local neighborhood and the School agreed to various conditions in connection with the pending conditional use permit and, as such, the School and its legal counsel expect approval on similar terms.

**ROESSLER - CHADWICK FOUNDATION  
(CHADWICK SCHOOL)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**NOTE 9 - Extraordinary Item**

During the year ended June 30, 1999, a fire destroyed a large portion of one of the educational buildings at the School. The building was covered by the commercial property section of the insurance package and, as such, insurance proceeds, net of expenses, of \$887,259 have been recognized during the year ended June 30, 2000. The cause and nature of the incident was not something which would occur during the normal course of operations; as such, it has been presented as an extraordinary item on the statement of activities.